# **APPENDIX H**

# **APPRAISAL**

Cushman & Wakefield, Inc.

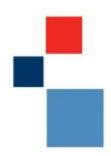
November 05, 2014



The Hills At Southampton
Lewis and Old Country Roads
East Quogue, Suffolk County, NY 11942

IN AN APPRAISAL REPORT As of November 05, 2014

Prepared For:
DLV Quogue LLC
c/o O'Shea Marcincuk & Bruyn, LLP
250 North Sea Road
Southampton, NY 11968



Prepared By:
Cushman & Wakefield, Inc.
Valuation & Advisory
1290 Avenue of the Americas, 9th Floor
New York, NY 10104-6178
C&W File ID: 14-13001-900745-001





The Hills At Southampton Lewis and Old Country Roads East Quogue, Suffolk County, NY 11942





January 09, 2015

Wayne Bruyn, Esq.
DLV Quogue LLC
c/o O'Shea Marcincuk & Bruyn, LLP
250 North Sea Road
Southampton, NY 11968

Re: Appraisal of Real Property

In an Appraisal Report

The Hills At Southampton Lewis and Old Country Roads

East Quogue, Suffolk County, NY 11942 C&W File ID: 14-13001-900745-001

Dear Mr. Bruyn:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above property in an Appraisal Report dated January 09, 2015. The effective date of value is November 05, 2014.

This Appraisal Report has been prepared in accordance with our interpretation of your institution's guidelines and the *Uniform Standards of Professional Appraisal Practice* (USPAP).

The subject property consists of four contiguous and/or adjacent parcels of land that together may be developed as a 118-unit residential community. The largest parcel, known as Hills South, covers 343.5 acres with frontage along Lewis Road. It is owned in common with Hills North, an 87.81-acre site located north of Sunrise Highway. Together, these two parcels, which are owned in fee by DLV Quogue LLC, contain a total of 431.31 acres and yield a total of 82 lots as of right. In addition, the owners hold beneficial title by virtue of contracts of sale to an abutting site known as the Kracke Parcel (61.26 acres) and an adjacent piece to the east known as the Parlato Parcel, which covers 101.91 acres. In all, the subject property contains 594.48 acres and is capable of yielding 118 lots, with infrastructure, that could be sited on an area of about 200 acres, leaving an open space reserve of almost 400 acres in compliance with local zoning regulations for the CR-200 residential use district.

DLV Quogue LLC has submitted an application to the Town of Southampton to have the property rezoned to a Planned Development District (PDD), which would allow them to construct the 118 dwellings around a proposed private golf course and clubhouse for the exclusive use of the owners/residents of the gated community. The property has been appraised under two scenarios, to wit: first based on the existing CR-200 zoning, permitting the construction of 118 homes clustered onto approximately 200 acres; and alternatively on the assumption that the instant rezoning application will be approved, thus permitting the private golf course community.



WAYNE BRUYN, ESQ. C/O O'SHEA MARCINCUK & BRUYN, LLP JANUARY 9, 2015 PAGE 2

Based on the agreed-to Scope of Work, and as outlined in the report, we developed the following opinions of Market Value:

Value Conclusions			
Appraisal Premise	Real Property Interest	Date Of Value	Value Conclusion
Market Value Based on Current Zoning ("Scenario 1")	Fee Simple	11/5/2014	\$30,000,000
Market Value assuming the rezoning will be approved ("Scenario 2")	Fee Simple	11/5/2014	\$44,000,000

Compiled by Cushman & Wakefield, Inc.

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions, as well as the following extraordinary assumptions and hypothetical conditions, if any.

# **EXTRAORDINARY ASSUMPTIONS**

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

The second valuation scenario is predicated on the extraordinary assumption that the instant rezoning application will be approved.

# HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

**CUSHMAN & WAKEFIELD, INC.** 

Timothy Barnes, CRE, FRICS Senior Managing Director NY Certified General Appraiser License No. 46000006137 timothy.barnes@cushwake.com (631) 234-5050 Office Direct

(631) 234-5192 Fax



# SUMMARY OF SALIENT FACTS AND CONCLUSIONS

The subject property consists of four contiguous and/or adjacent parcels of land that together may be developed as a 118-unit residential community. The largest parcel, known as Hills South, covers 343.5 acres with frontage along Lewis Road. It is owned in common with Hills North, an 87.81-acre site located north of Sunrise Highway. Together, these two parcels, which are owned in fee by DLV Quogue LLC, contain a total of 431.31 acres and yield a total of 82 lots as of right. In addition, the owners hold beneficial title by virtue of contracts of sale to an abutting site known as the Kracke Parcel (61.26 acres) and an adjacent piece to the east known as the Parlato Parcel, which covers 101.91 acres. In all, the subject property contains 594.48 acres and is capable of yielding 118 lots, with infrastructure, that could be sited on an area of about 200 acres, leaving an open space reserve of almost 400 acres in compliance with local zoning regulations for the CR-200 residential use district. Alternatively, the property is assumed to be rezoned to the Planned Development District allowing the construction of a private golf course community with 118 dwellings and clubhouse.

BASIC INFORMATION	
Common Property Name:	The Hills At Southampton
Address:	Lewis and Old Country Roads
	East Quogue, NY 11942
County:	Suffolk
Property Ownership Entity:	DLV Quogue LLC; Kracke, and
	Parlato

 SITE INFORMATION
 Square Feet
 Acres

 Land Area:
 25,895,549
 594.48

Site Shape: Irregularly shaped

Site Topography: Level at street grade, rolling topography with areas that

appear to have previously been mined for sand.

Frontage: Limited
Site Utility: Average



#### MUNICIPAL INFORMATION

**Assessment Information:** 

Assessing Authority Town of Southampton

Assessor's Parcel Identification See Addenda
Current Tax Year 2014/2015
Estimated Current Tax Liability \$273,000

Are taxes current? Taxes are current

**Zoning Information:** 

Municipality Governing Zoning Town of Southampton

Current Zoning CR-200 Is current use permitted? Yes

Current Use Compliance Complying use

**Zoning Change Pending** Assumed approved in Scenario 2

#### **HIGHEST & BEST USE**

#### As Vacant:

for development with a 118-unit residential subdivision (Scenario 1); or alternatively with a private golf course community (Scenario 2)

#### As Improved:

N/A

VALUATION INDICES	Scenario 1	Scenario 2
VALUE DATE	11/5/2014	11/5/2014
Land Value		
Indicated Value:	\$30,000,000	\$44,000,000
Per Acre:	\$50,464	\$74,014
Per Unit:	\$254,237	\$372,881
FINAL VALUE CONCLUSION		
Real Property Interest:	Fee Simple	Fee Simple
Concluded Value:	\$30,000,000	\$44,000,000
<b>EXPOSURE AND MARKETING TIME</b>		
Exposure Time:	12 Months	
Marketing Time:	12 Months	

# **EXTRAORDINARY ASSUMPTIONS**

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

The second valuation scenario is predicated on the extraordinary assumption that the instant rezoning application will be approved.



# HYPOTHETICAL CONDITIONS

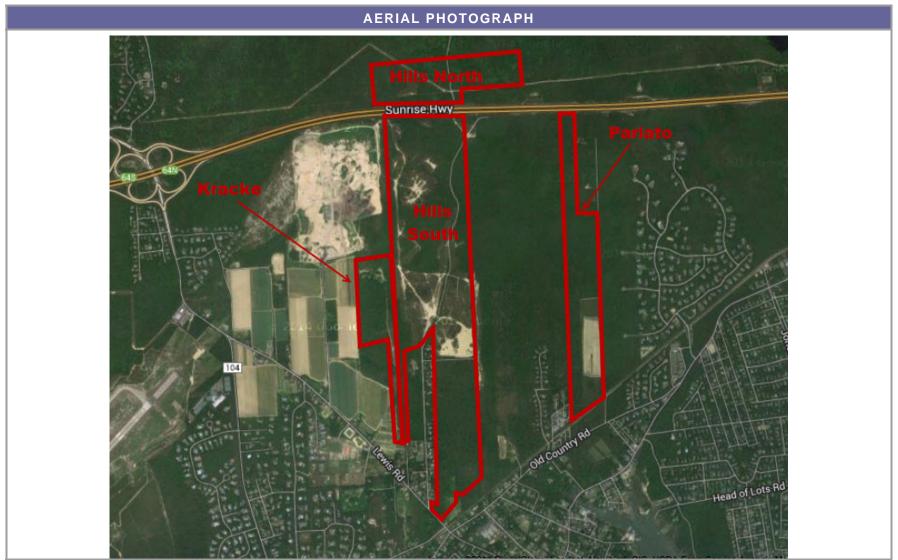
For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.



THE HILLS AT SOUTHAMPTON PROPERTY PHOTOGRAPHS VI

# **Property Photographs**





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THE HILLS AT SOUTHAMPTON INTRODUCTION

# Introduction

# SCOPE OF WORK

This report is intended to comply with the reporting requirements outlined under the USPAP for an Appraisal Report.

Cushman & Wakefield, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

The scope of this appraisal is to value the subject under two scenarios. This required collecting primary and secondary data relevant to the subject property. Vacant land and improved sales were researched in the subject's market, and the input of buyers, sellers, brokers, property developers and public officials was considered. A physical inspection of the property was made. In addition, the general regional economy as well as the specifics of the subject's local area were investigated.

The data have been thoroughly analyzed and confirmed with sources believed to be reliable, leading to the value conclusions in this report. The valuation process used generally accepted market-derived methods and procedures appropriate to the assignment.

This appraisal employs only the Income Capitalization Approach via the Subdivision Development Method. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable by market participants. Typical purchasers do not generally rely on the Cost or Sales Comparison Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Sales Comparison Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis. Elements of the Sales Comparison Approach have been used in the Subdivision Development Method.

#### REPORT OPTION DESCRIPTION

USPAP identifies two written report options: Appraisal Report and Restricted Appraisal Report. This document is prepared as an Appraisal Report in accordance with USPAP guidelines. The terms "describe," summarize," and "state" connote different levels of detail, with "describe" as the most comprehensive approach and "state" as the least detailed. As such, the following provides specific descriptions about the level of detail and explanation included within the report:

- Describes the real estate and/or personal property that is the subject of the appraisal, including physical, economic, and other characteristics that are relevant
- States the type and definition of value and its source
- Describes the Scope of Work used to develop the appraisal
- Describes the information analyzed, the appraisal methods used, and the reasoning supporting the analyses and opinions; explains the exclusion of any valuation approaches
- States the use of the property as of the valuation date
- Describes the rationale for the Highest and Best Use opinion (if included)



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THE HILLS AT SOUTHAMPTON INTRODUCTION 2

### **IDENTIFICATION OF PROPERTY**

Common Property Name: The Hills At Southampton

Location: The subject property is located at the intersection of Lewis and Old Country Roads,

East Quogue, Suffolk County, New York 11942

Assessor's Parcel

Numbers:

See Addenda

# PROPERTY OWNERSHIP AND RECENT HISTORY

Current Ownership: DLV Quogue LLC; Kracke, and Parlato

Sale History: The Kracke & Parlato properties are in contract to DLV Quogue LLC for a total

purchase price of \$9,222,600.

Current Disposition: To the best of our knowledge, the property as a whole is not under contract of sale

nor is it being marketed for sale.

# DATES OF INSPECTION AND VALUATION

Effective Date of

Valuation:

November 05, 2014

Date of Inspection: November 05, 2014

Property Inspected by: Timothy Barnes, CRE, FRICS

# CLIENT, INTENDED USE AND USERS OF THE APPRAISAL

Client: DLV Quogue LLC, c/o O'Shea Marcincuk & Bruyn, LLP

Intended Use: This appraisal is intended to provide an opinion of the Market Value of the Fee Simple

interest in the property under two scenarios as part of a rezoning application before

the Town of Southampton. This report is not intended for any other use.

Intended User: This Appraisal Report was prepared for the exclusive use of DLV Quogue LLC, c/o

O'Shea Marcincuk & Bruyn, LLP. The Town of Southampton is also an Intended

User. Use of this report by others is not intended by the appraiser.

#### EXTRAORDINARY ASSUMPTIONS

The second valuation scenario is predicated on the extraordinary assumption that the instant rezoning application will be approved.

# HYPOTHETICAL CONDITIONS

This appraisal does not employ any hypothetical conditions.



THE HILLS AT SOUTHAMPTON REGIONAL ANALYSIS 3

# **Regional Analysis**





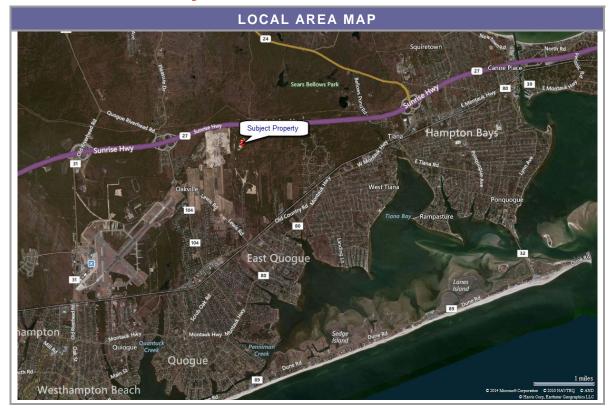
THE HILLS AT SOUTHAMPTON REGIONAL ANALYSIS 4

# **INTRODUCTION**

The short- and long-term value of real estate is influenced by a variety of interacting factors. Regional analysis identifies those factors that affect property value, and the role they play within the region. The four primary forces that determine the supply and demand for real property, and consequently affect market value, are: environmental characteristics, governmental forces, social factors, and economic trends.



# **Local Area Analysis**





### LOCATION OVERVIEW

The property is located in the hamlet of East Quogue within the Town of Southampton. Southampton and the neighboring Town of East Hampton are referred to colloquially as "The Hamptons." The area is situated at the easternmost portion of the south fork of Long island. The Hamptons started as a quiet farming community until the late 1800s, when it began to develop as a resort community for the wealthy upper class from New York City. The area is now world-renowned as it has become a major summer and weekend destination for New York City residents as well as a resort community for the world's rich and famous. The Hamptons contains approximately 40 miles of oceanfront coastline, and is located approximately 75 miles west of New York City.

The area consists of sprawling villages and hamlets with well established reputations, as well as seasonal hospitality and tourist lodging along its vast waterfront and scenic beaches. The Town of Southampton encompasses 140.2 square miles and includes 18 hamlets and 7 incorporated villages. The hamlet of Westhampton to the west, the village of Quogue and the Shinnecock Bay to the south, the hamlet of Hampton Bays to the east, and the hamlet of Flanders to the north.

# **NEIGHBORHOOD ANALYSIS**

Due to the character of the area and the long narrow geography of the south fork, the most desirable commercial locations are located within the various hamlets and villages of the Hamptons. From west to east these small downtown areas include Westhampton, Quogue, Hampton Bays, Southampton, Bridgehampton, Sag Harbor, Wainscott, East Hampton, Amagansett, and Montauk. Many of these central business districts are also designated historic districts, with the picturesque improvements consisting of restored 18<sup>th</sup> and 19<sup>th</sup> century commercial buildings. These districts, which are typically confined to a few blocks, offer different atmospheres, consumer appeal, and merchandise price points that reflect the overall affluence of the surrounding residential development.

#### **NEARBY AND ADJACENT USES**

The subject's local area is mainly composed of single-family homes and subdivisions, as well as agricultural land. Commercial uses are found south of the subject along Montauk Highway. The Francis S. Gabreski Airport is several miles west of the property. There are several county parks just north of Sunrise Highway near the subject: Maple Swamp County Park and Sears Bellows County Park. The Quogue Wildlife Refuge is also several miles southwest of the subject. There are numerous undeveloped land parcels within the hamlet, as well as preserved open spaces.



<b>DEMOGRAPHIC SI</b>	UMMARY							
		1.0-mile	3.0-mile	5.0-mile	Suffolk	State of	United	
		Radius	Radius	Radius	County	New York	States	
POPULATION STATIST	POPULATION STATISTICS							
2000		810	7,055	25,524	1,418,807	18,975,552	281,394,317	
2014		996	7,929	28,381	1,499,067	19,674,048	317,178,116	
2019		1,020	8,071	28,957	1,510,605	20,049,970	328,287,020	
Compound Annual Cha	ange							
2000 -	2014	1.49%	0.84%	0.76%	0.39%	0.26%	0.86%	
2014 -	2019	0.48%	0.36%	0.40%	0.15%	0.38%	0.69%	
HOUSEHOLD STATIST	ICS							
2000		299	2,726	9,741	469,036	7,056,389	105,466,823	
2014		360	2,950	10,215	503,244	7,461,541	120,151,595	
2019		366	2,997	10,414	508,482	7,632,891	124,610,342	
Compound Annual Cha	ange							
2000 -	2014	1.33%	0.57%	0.34%	0.50%	0.40%	0.94%	
2014 -	2019	0.33%	0.32%	0.39%	0.21%	0.46%	0.73%	
AVERAGE HOUSEHOL	D INCOME							
2000		\$65,530	\$70,385	\$67,104	\$80,080	\$61,520	\$56,674	
2014		\$105,906	\$99,732	\$93,344	\$107,427	\$81,921	\$71,318	
2019		\$122,807	\$113,207	\$106,187	\$120,094	\$89,957	\$75,940	
Compound Annual Cha	ange							
2000 -	2014	3.49%	2.52%	2.39%	2.12%	2.07%	1.66%	
2014 -	2019	3.01%	2.57%	2.61%	2.25%	1.89%	1.26%	
OCCUPANCY								
Owner Occupied		83.75%	79.59%	71.41%	78.53%	52.88%	64.97%	
Renter Occupied		16.25%	20.41%	28.59%	21.47%	47.12%	35.03%	

SOURCE: Claritas, Inc.

#### SPECIAL HAZARDS OR ADVERSE INFLUENCES

We observed no detrimental influences in the local market area, such as landfills, flood areas, noisy or air-polluting industrial plants, or chemical factories.

# LAND USE CHANGES

We are not aware of any significant land use changes that would have an impact on the subject property.

# ACCESS

Generally, access to the Hamptons area is limited. Due to its far eastern location and the narrow width of the area, there is only one major roadway that provides east-west access to the region: State Route 27. Within the Hamptons Route 27 is commonly referred to as Montauk Highway; it is referred to as Sunrise Highway west of the Hamptons. Although Route 27 is the primary roadway within the Hamptons, the Long Island Expressway



(Interstate 495) is the primary east-west directed expressway on Long Island. As such, regional access to the area is typically provided by an amalgamation of the Long Island Expressway, Sunrise Highway, and Montauk Highway.

Southampton is provided with rail transportation from New York City by the Long Island Railroad (LIRR). Total travel time to the area is approximately 2 hours and 30 minutes. The subject is between the Westhampton and Hampton Bays LIRR train stations. The public transportation system provides adequate service to area residents and workers. Schools, medical facilities, neighborhood shopping and houses of worship are widespread throughout the region.

# CONCLUSION

The Southampton market is world renowned for its shopping districts, its beaches, and affluent second home market. We foresee this trend continuing into the foreseeable future. In summary, the subject neighborhood should continue to remain viable for residential use. The subject property has average visibility and access, and remains well positioned to compete in the more affordable tier of the Hamptons residential marketplace.



THE HILLS AT SOUTHAMPTON MARKET ANALYSIS 9

# HAMPTONS MARKET OVERVIEW

The Hamptons refers to several villages and hamlets in the Towns of Southampton and East Hampton. The vast majority of the housing stock in the Hamptons consists of single family residences; however there are a number of cooperative and condominium developments throughout the area.

The following chart exhibits market-wide statistics for the Hamptons as reported by Douglas Elliman Real Estate, which includes all for-sale property types (condominiums, cooperatives, townhouses, and single family homes).

OVERALL HAMPTONS MARKET- THIRD QUARTER 2014					
	Current	%	Prior	%	Prior Year
	Quarter	Change	Quarter	Change	Quarter
Average Sales Price	\$1,765,463	14.7%	\$1,539,646	20.1%	\$1,470,565
Median Sales Price	\$865,000	-4.8%	\$908,500	12.6%	\$768,000
Number of Sales (Closed)	701	0.1%	700	31.3%	534
Days on Market	172	-2.3%	176	15.4%	149
Listing Discount	12.00%		12.20%		7.90%
Listing Inventory (Active)	1,712	3.9%	1,647	3.4%	1,656
Absorption Rate (months)	7.3	2.8%	7.1	-21.5%	9.3

Source: Douglas Elliman 3Q 2014 Report

As detailed in the chart above, the Hamptons market is showing signs of price increases from the prior quarter. The number of sales increased slightly from the prior quarter and was 31.3 percent higher than the prior year quarter. The number of days on the market decreased 2.3 percent from the prior quarter, but increased 15.4 percent from the prior year quarter. Additionally, the listing discount was slightly lower (12.0 percent), slightly lower than the prior quarter, but increased from the 7.9 percent discount in the prior year quarter. Inventory jumped from 1,647 in the prior year quarter to 1,712 in 3Q 2014.

The Corcoran Group also covers the Hamptons market and releases a quarterly market report using data from the Long Island Real Estate Report. The following chart provides an analysis of the residential market as reported by the brokerage firm.

HAMPTONS				
	Average		Number	
	Sale Price	Median Price	of Sales	\$ Volume
Q2 2014	\$1,735,000	\$918,000	603	\$1,046,000,000
Change	-4.0%	-3.0%	24.0%	19.0%
Q2 2013	\$1,812,000	\$950,000	487	\$882,574,000

Source: The Corcoran Report 2Q 2014

The Corcoran Group statistics are from the 2Q 2014 (the most recent data available). They showed that the average price for a property decreased by 4.0 percent over the prior year quarter, as well as a slight decline in the median price. The number of sales increased from the prior year by 24.0 percent leading to an overall higher transaction volume.



THE HILLS AT SOUTHAMPTON MARKET ANALYSIS 10

The Corcoran Group also tracks a number of submarkets in the larger Hamptons area. As is likely in any large market area, not all villages and hamlets have experienced the same transactional activity. The following charts detail the subject's market of East Quoque and various submarkets in the immediate area.

BRIDGEHAMPTON/SAGAPONACK					
	Average		Number		
	Sale Price	Median Price	of Sales	\$ Volume	
Q2 2014	\$2,994,000	\$1,925,000	34	\$101,808,000	
Change	-21.0%	-5.0%	-11.0%	-29.0%	
Q2 2013	\$3,788,000	\$2,020,000	38	\$143,930,000	

EAST QUOGUE/HAMPTON BAYS					
	Average		Number		
	Sale Price	Median Price	of Sales	\$ Volume	
Q2 2014	\$506,000	\$385,000	84	\$42,493,000	
Change	5.0%	8.0%	56.0%	63.0%	
Q2 2013	\$484,000	\$357,000	54	\$26,125,000	

<b>QUOGUE VIL</b>	LAGE/QUIOGUE			
	Average		Number	
	Sale Price	Median Price	of Sales	\$ Volume
Q2 2014	\$2,173,000	\$999,000	17	\$36,937,000
Change	64.0%	26.0%	13.0%	86.0%
Q2 2013	\$1,326,000	\$795,000	15	\$19,897,000

WATER MILL				
	Average		Number	
	Sale Price	Median Price	of Sales	\$ Volume
Q2 2014	\$3,422,000	\$2,375,000	27	\$92,399,000
Change	9.0%	-2.0%	17.0%	28.0%
Q2 2013	\$3,147,000	\$2,425,000	23	\$72,390,000

Source: The Corcoran Report 2Q 2014

# CONCLUSION

The Hamptons markets have rebounded from lows of 2009, evidenced by the pricing and sales statistics presented earlier and in our research for comparable land sales. In addition, the high demand for new construction in the area and buyers' increased interest in land parcels north of Montauk Highway bodes well for the subject property in both scenarios. As will be seen, in Scenario 1 a 3-year absorption period and 4-year marketing period were used; in Scenario 2, 3 years were estimated for marketing and absorption. These estimates were well supported by the recent market activity, particularly in Southampton Meadows and the



THE HILLS AT SOUTHAMPTON MARKET ANALYSIS 11

Watchcase Factory in Sag Harbor, as well as the absorption in other Discovery communities with which we are familiar.



THE HILLS AT SOUTHAMPTON SITE DESCRIPTION 12

# **Property Analysis**

# SITE DESCRIPTION

Location: Lewis and Old Country Roads

East Quogue, Suffolk County, New York 11942

The subject property consists of four contiguous and/or adjacent parcels of land. The largest parcel, known as Hills South, covers 343.5 acres with frontage along Lewis Road. It is owned in common with Hills North, an 87.81-acre site located north of Sunrise Highway. In addition, the owners hold beneficial title by virtue of contracts of sale to an abutting site known as the Kracke Parcel (61.26 acres) and an adjacent piece to the east known as the Parlato Parcel, which covers 101.91 acres. In all, the subject property contains 594.48 acres.

Shape: Irregularly shaped

Topography: Level at street grade, rolling topography with areas that appear to have previously

been mined for sand.

Land Area: Lot Size (Acres)

 Hills South
 343.5

 Hills North
 87.81

 Kracke Parcel
 61.26

 Parlato Parcel
 101.91

 Total
 594.48

Frontage: The subject property has limited frontage.

Access: The subject property has average access.

Visibility: The subject property has average visibility.

Soil Conditions: We were not given a soil report to review. However, we assume that the soil's load-

bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the

property. Drainage appears to be adequate.

Utilities: Utility providers for the subject property are as follows:

Water Suffolk County Water Authority

Sewer On-site septic

Electricity Long Island Power Authority

Gas National Grid

Telephone Verizon and other providers

Site Improvements: N/A.



THE HILLS AT SOUTHAMPTON SITE DESCRIPTION 13

Land Use Restrictions: We were not given a title report to review. We do not know of any easements,

encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.

Flood Zone Description: The subject property is located in flood zone X (Areas determined to be outside the

500 year flood plain) as indicated by FEMA Map 365342 - 36103C0777H, dated

September 25, 2009.

The flood zone determination and other related data are provided by a third party vendor deemed to be reliable. If further details are required, additional research is

required that is beyond the scope of this analysis.

Wetlands: We were not given a wetlands survey to review. If subsequent engineering data

reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this

field.

Hazardous Substances: We observed no evidence of toxic or hazardous substances during our inspection of

the site. However, we are not trained to perform technical environmental inspections

and recommend the hiring of a professional engineer with expertise in this field.

Overall Site Utility: The subject site is functional for its current and permissible uses.

Location Rating: Average



# REAL PROPERTY TAXES AND ASSESSMENTS

# **CURRENT PROPERTY TAXES**

The subject property is located in the taxing jurisdiction of the Town of Southampton, and consists of more than 70 tax lots. The assessor's parcel identification numbers are found in the addenda.

Based on a schedule of taxes provided by ownership, we estimate the current tax burden at approximately \$273,000 per annum. In Scenario 1, future taxes have been estimated at \$4,000 per site. In Scenario 2, taxes are estimated to be \$10,000 per dwelling site, inclusive of taxes attributable to the golf course and clubhouse, which amenitize the proposed dwelling sites.



THE HILLS AT SOUTHAMPTON ZONING 15

# ZONING

#### GENERAL INFORMATION

The property is zoned CR-200 by the Town of Southampton. A summary of the subject's zoning is provided below:

**ZONING** 

Municipality Governing Zoning: Town of Southampton

Current Zoning: CR-200
Current Use: Vacant Land

Is current use permitted: Yes

Proposed Use: Single-Family Residential Development and Golf Course

**Is proposed use permitted:** Yes, upon rezoning to PDD

Change In Zone Likely: Assumed Zoning Change Applied For: Yes

Zoning Variance Applied For: Not applicable

Permitted Uses: Permitted uses within this district include single-family homes, planned

residential development, parks, public/municipal buildings, schools,

and most agricultural uses.

Prohibited Uses: Prohibited uses within this district include senior housing, mobile

homes, colleges and universities, and industrial uses.

ZONING REQUIREMENTS	CODE	SUBJECT COMPLIANCE
Minimum Lot Area:	200,000 SF	Not Applicable
Maximum Building Height:	2 Stories or 32 Feet	Not Applicable
Minimum Lot Width:	200 Feet	Not Applicable
Maximum Lot Coverage (% of lot area):	5.0%	Not Applicable
Minimum Yard Setbacks		
Front (feet):	100	Not Applicable
Rear (feet):	100	Not Applicable
Side (feet):	50 (minimum for 1 side yard)	Not Applicable

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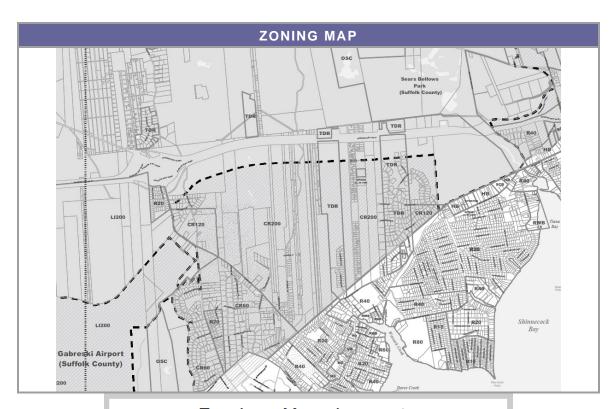
The subject is located within an Aquifer Protection Overlay District, which places restrictions on the disturbance of natural vegetation on lots and development sites, as well as the use of fertilizers. It is also located within a Compatible Growth Area.

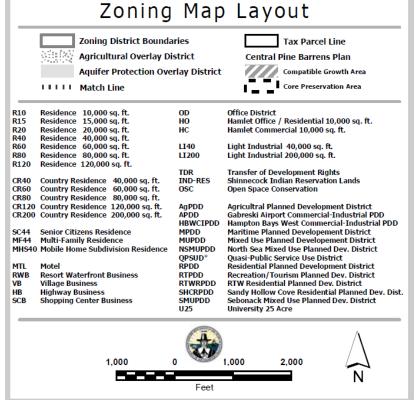
# **OTHER RESTRICTIONS**

We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. We recommend a title examination to determine if any such restrictions exist.



THE HILLS AT SOUTHAMPTON ZONING 16







THE HILLS AT SOUTHAMPTON HIGHEST AND BEST USE 17

# Valuation

# HIGHEST AND BEST USE

# **HIGHEST AND BEST USE DEFINITION**

The Dictionary of Real Estate Appraisal, Fifth Edition (2010), a publication of the Appraisal Institute, defines the highest and best use as:

The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

To determine the highest and best use we typically evaluate the subject site under two scenarios: as vacant land and as presently improved. In both cases, the property's highest and best use must meet the four criteria described above. Since this property is land only, evaluating it as presently improved is not applicable.

#### HIGHEST AND BEST USE OF PROPERTY AS VACANT

### **Legally Permissible**

The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject site. As described in the Zoning section, the subject site is zoned CR-200 by the Town of Southampton and is proposed to be rezoned to PDD.

### **Physically Possible**

The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the site. The subject site contains 594.48 acres, or 25,895,549 square feet. The site is irregularly shaped and generally level at street grade. It has limited frontage, average access, and average visibility. The overall utility of the site is considered to be average. Most public utilities are available to the site including public water, gas, electric and telephone. Overall, the site is considered adequate to accommodate most permitted development possibilities.

#### Financially Feasible and Maximally Productive

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use.

#### CONCLUSION

We considered the legal issues related to zoning and legal restrictions. We also analyzed the physical characteristics of the site to determine what legal uses would be possible, and considered the financial feasibility of these uses to determine the use that is maximally productive. Considering the subject site's physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject site as currently zoned is for development of a 118-unit residential subdivision clustered on approximately 200 acres. As if rezoned to PDD, the Highest and Best Use is development with a private golf course community with 118 dwellings and a clubhouse.



THE HILLS AT SOUTHAMPTON HIGHEST AND BEST USE 18

# HIGHEST AND BEST USE OF PROPERTY AS IMPROVED

The Dictionary of Real Estate Appraisal defines highest and best use of the property as improved as:

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.

In analyzing the Highest and Best Use of a property as improved, it is recognized that the improvements should continue to be used until it is financially advantageous to alter physical elements of the structure or to demolish it and build a new one. As the subject property is currently vacant land, the Highest and Best of the subject as improved is not applicable.



THE HILLS AT SOUTHAMPTON VALUATION PROCESS 19

# **VALUATION PROCESS**

#### **METHODOLOGY**

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. We considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We considered each approach in developing our opinion of the market value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

### **Cost Approach**

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject property.

#### Sales Comparison Approach

In the Sales Comparison Approach, sales of comparable properties are adjusted for differences to estimate a value for the subject property. A unit of comparison such as price per square foot of building area or effective gross income multiplier is typically used to value the property. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land, price per acre, price per unit, or price per square foot of potential building area. In both cases, adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive an opinion of value for the subject property.

#### **Income Capitalization Approach**

In the Income Capitalization Approach the income-producing capacity of a property is estimated by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Yield Capitalization Method. In this method periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.



THE HILLS AT SOUTHAMPTON VALUATION PROCESS 20

#### **SUMMARY**

This appraisal employs only the Income Capitalization Approach via the Subdivision Development Method. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable by market participants. Typical purchasers do not generally rely on the Cost or Sales Comparison Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Sales Comparison Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis. Elements of the Sales Comparison Approach have been used in the Subdivision Development Method.



# **SUBDIVISION DEVELOPMENT METHOD-Scenario 1**

# INTRODUCTION

As previously indicated, the subject property consists of four parcels totaling 594.48± acres, located in the East Quogue hamlet within the Town of Southampton, Suffolk County, New York. The property is currently vacant and unimproved. As previously discussed, the highest and best use of the subject property is a single-family residential subdivision containing 118 lots with an average area of approximately 70,000 square feet and an agricultural open space reserve. This analysis will utilize the sales comparison approach to determine the market value of the 118 lots, and will utilize a sellout analysis to arrive at the present value of the subject property. The analysis is presented on the following pages.

# **COMPARABLE LOT SALES**

We used the sales comparison approach to develop an opinion of land value for the individual lots. We examined current offerings and analyzed prices buyers have recently paid for comparable sites. If the comparable was superior to the subject, a downward adjustment was made to the comparable sale. If inferior, an upward adjustment was made.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

- Research recent, relevant property sales and current offerings in the competitive area;
- Select and analyze properties that are similar to the subject property, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
- Identify sales that include favorable financing and calculate the cash equivalent price;
- Reduce the sale prices to a common unit of comparison such as price per lot;
- Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the subject property; and
- Interpret the adjusted sales data and draw a logical value conclusion.

The most widely used and market-oriented unit of comparison for the individual lots is price per lot. All transactions used in this analysis are based on the most appropriate method used in the local market.

The major elements of comparison used to value the subject lots include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its utility and the physical characteristics of the property. The comparables and our analysis are presented on the following pages.



SUI	MMARY OF INDI	VIDUAL	LOT S	ALES: SCI	ENARIO	1						
PROPERTY INFORMATION						TRANSACTION INFORMATION						
No.	Location	Size (Acres)	No. Of Units	Zoning	Site Utility	Grantor	Grantee	Property Rights Conveyed	Sale Date	Sale Price	\$/Unit	COMMENTS
S	Subject Property	1.50		CR-200	Average							
1	160 Malloy Drive, East Quogue, NY	1.12	1	TDR		160 Malloy Drive LLC	Savannah Homes Inc	Fee Simple	5/14	\$250,000	\$250,000	Southampton Pines, listed in March 2013 for \$395,000. Taxes \$4,586
2	67 Old Depot Road, Quogue, NY	0.50	1	Villa		Crk LLC	Mullen Thomas D Jr. et al	Fee Simple	4/14	\$405,000	\$405,000	Original listing price \$699,500, listed in March 2010. Village of Quogue. Taxes \$1,477
3	24 The Registry, East Quogue, NY	1.50	1	CR-200		Nemet, Mary	Marmicin LLC	Fee Simple	2/14	\$250,000	\$250,000	Listed in May 2013 for \$299,000. Taxes \$5,084
4	1 Stone Lane, Quogue, NY	1.05	1	Villa		Jahelka, Joseph R & Arlene A	Miglietta Richard & Margaret	Fee Simple	4/13	\$350,000	\$350,000	Listed in December 2012 for \$599,000. Taxes \$3,456
5	136 & 138 Old Country Road, East Quogue, NY	3.50	1	CR-80		Kennedy Louis (TE)/Kennedy 1978 Trust	N/A	Fee Simple	Listing	\$750,000	\$750,000	136 Old Country Road is land, 138 Old Country Road has a two BR/1 Bath cottage with 1,118 SF and detached garage. Built in 1991.
	STATISTICS											
Low		0.50	1						4/13 5/14	\$250,000 \$750,000	\$250,000	
High		3.50	1								\$750,000	
Avera	nge	1.53	1						1/14	\$401,000	\$401,000	

Compiled by Cushman & Wakefield, Inc.



			Economic	Adjustments	(Cumulative)		Property Characteristic Adjustments (Additive)						
No.	Price Per Unit	Property Rights Conveyed	Conditions of Sale	Financing	Market <sup>(1)</sup> Conditions	Per Unit Subtotal	Location	Size	Public Utilities	Utility <sup>(2)</sup>	Other	Adj. Price Pe Unit	
1	\$250,000	Fee Simple	Arm's-Length	None	Inferior	\$261,750	Similar	Similar	Similar	Similar	Similar	\$261,750	
	5/14	0.0%	0.0%	0.0%	4.7%	4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
2	\$405,000	Fee Simple	Arm's-Length	None	Inferior	\$428,490	Superior	Smaller	Similar	Similar	Similar	\$428,490	
	4/14	0.0%	0.0%	0.0%	5.8%	5.8%	-10.0%	10.0%	0.0%	0.0%	0.0%	0.0%	
3	\$250,000	Fee Simple	Arm's-Length	None	Inferior	\$266,750	Similar	Similar	Similar	Similar	Similar	\$266,750	
	2/14	0.0%	0.0%	0.0%	6.7%	6.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
4	\$350,000	Fee Simple	Arm's-Length	None	Inferior	\$406,700	Superior	Similar	Similar	Similar	Similar	\$366,030	
	4/13	0.0%	0.0%	0.0%	16.2%	16.2%	-10.0%	0.0%	0.0%	0.0%	0.0%	-10.0%	
5	\$750,000	Fee Simple	Arm's-Length	None	Similar	\$750,000	Similar	Larger	Similar	Inferior	Similar	\$637,500	
	Listing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-20.0%	0.0%	5.0%	0.0%	-15.0%	
	\$250,000	- Low									Low -	\$261,750	
	\$750,000	- High									High -	\$637,500	
	\$401,000	- Average									Average -	\$392,104	

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#### (1) Market Conditions Adjustment Footnote

Compound annual change in market conditions: 10.00% Date of Value (for adjustment calculations): 11/5/14

# (2) Utility Footnote

Utility includes shape, access, frontage and visibility.







### **DISCUSSION OF ADJUSTMENTS**

#### **Property Rights Conveyed**

We are valuing the fee simple interest similar to each of the comparables, therefore an adjustment for property rights is not required.

#### **Financial Terms**

To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or marketoriented financing. Therefore, no adjustments were required.

#### **Conditions of Sale**

All sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

#### **Market Conditions**

The sales that are included in this analysis occurred between April 2013 and May 2014. As the market has improved over this time period, we applied an annual adjustment of 10.00 percent.

#### Location

The subject property is rated average in location. We made a downward adjustment to those comparables considered superior in location compared to the subject. Conversely, an upward adjustment was made to those comparables considered inferior.

#### Size

Downward adjustments (superior) were made to larger land parcels, and upward adjustments (inferior) were made to smaller land parcels.

#### **Public Utilities**

All of the sales, like the subject, had full access to public utilities at the time of sale. Therefore, no adjustments were required.

#### Utility

The subject sites will be adequately shaped to accommodate a typical building with average access, limited frontage and average visibility. Overall, it has been determined that the sites have average utility. Adjustments were made where a comparable was considered to have superior or inferior utility.

#### Other

In our analysis of the comparables we found that no unusual conditions existed at the time of sale. As a result, no adjustments were required.



# **CONCLUSION - SINGLE FAMILY RESIDENTIAL LOT SALES**

As previously discussed, the highest and best use of the subject property in Scenario 1 is a single-family residential subdivision containing 118 lots with an average area of approximately 70,000 square feet. To determine the market value of the 118 lots we have analyzed four lot sales and one listing which were intended for single-family residential development. The sites ranged in size from 0.50 acres to 3.50 acres, averaging 1.53 acres. The earliest transaction occurred in April 2013 with the most recent transaction occurring in May 2014. Adjustments were made to account for differences in market conditions, location and size. Based on our analysis, the market value for the individual building lots at the subject property on November 5, 2014, was:

00504510.4	Price
SCENARIO 1	Per Unit
Indicated Value	\$475,000
Unit Measure	x 118
Indicated Revenues	\$56,050,000

Compiled by Cushman & Wakefield, Inc.



# **SELLOUT ANALYSIS**

On the previous pages, we have utilized the sales comparison approach to determine the value of the residential lots. We then utilize the values in a sellout analysis. This analysis assumes that it will take one year to receive all necessary approvals to subdivide the lots, two (2) more to pave the roads and complete all infrastructure, and one additional year to sell the 118 lots. This equates to monthly absorption of about 2.5 lots over the holding period, which is well supported in the market. The following pages present the assumptions utilized, the sellout projections and the calculations of the Net Present Value.

The Hills at Southamp	ton - Sellou	ıt Analysis A	ssumptions (	Scenario 1)
Land Area (Acres)	594.48			
Average Lot Size (Sq. Ft.)	70,000			
No. Lots	118			
Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Average Market Value/Lot	\$475,000	\$522,500	\$574,750	\$632,225
Average Annual Appreciation	10.0%			
Developer's Profit	7.5%			
Sales Commissions	2.0%			
Road Surface (L.F.)	11,800			
Inflation Factor	3.0%			
Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018
Road Cost/L.F.	\$125	\$129	\$133	\$137
Utility Cost/L.F.	\$75	\$77	\$80	\$82
Soft Costs	5.0%			
Real Estate Tax-Allocation	\$273,000	(current unabat	ed taxes)	
Real Estate Tax Projections pe	r Plot			
	\$4,000	\$4,120	\$4,244	\$4,371
Interest	4.5%			



The Hills at Sou	nampton -	S	ellout Ana	lys	is (Scenar	io '	1)		
Projection Period		1	2			3		4	
Fiscal Year	2	2014/2015		2015/2016		2016/2017		2017/2018	
Beginning Inventory		118		118		60		30	
Plots Sold		0		58		30		30	
Remaining Inventory		118		60		30		0	
Price per Plot		\$475,000		\$522,500		\$574,750		\$632,225	
Potential Gross Income	\$	-	\$	30,305,000	\$	17,242,500	\$	18,966,750	
Property Expenses									
Approvals	\$	200,000	\$	-	\$	-	\$	-	
Road Construction	\$	-	\$	759,625	\$	782,414			
Utilities	\$	-	\$	455,775	\$	469,448			
Acquisition Costs	\$	9,222,500	\$	-	\$	-	\$	-	
Soft Costs	\$	-	\$	60,770	\$	62,593			
Real Estate Taxes	\$	273,000	\$	366,680	\$	190,962	\$	65,564	
Interest	\$	-	\$	57,428	\$	59,150			
Sales Commissions	\$	-	\$	606,100	\$	344,850	\$	379,335	
Developer's Profit	\$		\$	2,272,875	\$	1,293,188	\$	1,422,506	
Total Expenses	\$	9,695,500	\$	4,579,253	\$	3,202,605	\$	1,867,405	
Net Income	\$	(9,695,500)	\$	25,725,747	\$	14,039,895	\$	17,099,345	

As displayed in the preceding table, it is our opinion that lots will not be ready for sale until the 2<sup>nd</sup> year in the analysis. This takes into account the deliberate approach taken by the local planning board and the unlikelihood that the developer will be required to prepare an environmental impact statement under SEQRA. In year 2, we project 58 lots sold per annum (after a 2-year marketing period) with the remaining 60 selling in years 3 and 4 of the analysis. Utilizing the projected number of lots sold, and the market value estimates of the lots, we arrive at a Potential Gross Income for each year. We then deduct our estimate of expenses from the Potential Gross Income to arrive at a Net Income for each year of the analysis. The expenses include approvals, road construction (only 11,000 linear feet due to the tightly clustered layout), utilities, soft costs, real estate taxes, interest and sales commissions. Additionally, we deduct developer's profit, which is necessary to incentivize a developer to absorb the risk of the undertaking, and the cost of acquiring title to the two parcels under contract.

On the following table, we determine the Present Value of the projected Net Income at a range of discount rates.

The Hills at Southampton - Present Value Calculations										
Present Value @	Rounded to \$100,000									
12.0%	\$32,711,975	\$32,700,000								
14.0%	\$30,891,017	\$30,900,000								
16.0%	\$29,198,814	\$29,200,000								
18.0%	\$27,624,071	\$27,600,000								
20.0%	\$26,156,670	\$26,200,000								



It is our opinion that a 14 to 16 percent discount rate is most applicable to the subject property since it results in approximately an 18 to 20 percent Internal Rate of Return (IRR) including profit (see below). Based on the 4Q 2014 PricewaterhouseCoopers (PWC) investors survey, the discount rate for the National Development Land Market ranged from 10 percent to 25 percent, with an average of 16.75 percent. We note that the prior rates assume entitlements are in place. The discount rate would increase 100 to 1,500 basis points (averaging 742 bps) without entitlements. The survey also noted that surveyed investors unanimously forecasted property values in the national development land market to increase at appreciation rates up to 15 percent. As the survey is national in scope, we have taken into account the very healthy market conditions enjoyed by developers in the Hamptons.

Based on an 18 to 20 percent IRR, the resulting Present Value of the subject in Scenario 1 is \$30,000,000, rounded. The following table presents IRR calculations based on the previously calculated Present Values and the Net Income.

	The Hills at Southan	npton- Sello	ut Analysis (S	Scenario 1)	
<b>Projection Period</b>		1	2	3	4
Fiscal Year	PV @ 14%	2014/2015	2015/2016	2016/2017	2017/2018
NOI plus Profit	(\$30,891,017)	\$ (9,695,500)	\$ 27,998,622	\$ 15,333,082	\$ 18,521,851
IRR	17.9%				
	PV @ 16%				
	(\$29,198,814)	\$ (9,695,500)	\$ 27,998,622	\$ 15,333,082	\$ 18,521,851
IRR	20.0%				



# **SUBDIVISION DEVELOPMENT METHOD - Scenario 2**

# INTRODUCTION

As previously indicated, the subject property consists of four parcels totaling 594.48± acres, located in the East Quogue hamlet within the Town of Southampton, Suffolk County, New York. The property is currently vacant and unimproved. As previously discussed, the highest and best use of the subject property in Scenario 2 is a private golf course community with 118 dwellings and a large clubhouse. This analysis will utilize the sales comparison approach to determine the market value of the 118 sites, and will utilize a sellout analysis to arrive at the present value of the subject property. The analysis is presented on the following pages.

# COMPARABLE LOT SALES

We used the Sales Comparison Approach to develop an opinion of land value for the individual lots. We examined current offerings and analyzed prices buyers have recently paid for comparable sites. If the comparable was superior to the subject, a downward adjustment was made to the comparable sale. If inferior, an upward adjustment was made.

By analyzing sales that qualify as arm's-length transactions between willing and knowledgeable buyers and sellers, we can identify value and price trends. The basic steps of this approach are:

- Research recent, relevant property sales and current offerings in the competitive area;
- Select and analyze properties that are similar to the subject property, analyzing changes in economic conditions that may have occurred between the sale date and the date of value, and other physical, functional, or locational factors;
- Identify sales that include favorable financing and calculate the cash equivalent price;
- Reduce the sale prices to a common unit of comparison such as price per lot;
- Make appropriate comparative adjustments to the prices of the comparable properties to relate them to the subject property; and
- Interpret the adjusted sales data and draw a logical value conclusion.

The most widely used and market-oriented unit of comparison for the individual lots is price per lot. All transactions used in this analysis are based on the most appropriate method used in the local market.

The major elements of comparison used to value the subject lots include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its utility and the physical characteristics of the property. The comparables and our analysis are presented on the following pages.

In this scenario we searched a wider area of the Hamptons with particular emphasis on the second luxury tier in submarkets east of the Shinnecock Canal, including Southampton, Bridgehampton and Water Mill north of Montauk Highway, which we believe would be priced competitively with the sites in the private golf course community.



SU	MMARY OF INDIV	/IDUAL	LOT S	ALES: SC	ENARIO	2								
	PROP	ERTY INF	ORMA	TION			TRANSACTION INFORMATION							
	Location Subject Property	Size (Acres)	No. Of Units	Zoning CR-200	Site Utility Average	Grantor	Grantee	Property Rights Conveyed	Sale Date	Sale Price	\$/Unit	COMMENTS		
J	Cubject 1 Toperty	1.00		OK 200	Avelage									
6	209 Parrish Pond Ct W, Southampton, NY	1.40	1	R-60	Average	Parrish Pond Construction Corp	Adam Stone	Fee Simple	3/14	\$1,000,000	\$1,000,000	Vacant lot; currently wooded; just outside the Village of Southampton.		
7	948 Deerfield Road, Water Mill, NY	1.96	1	CR-80	Good	Wild Orchid Farm LLC	U & Me Homes LLC	Fee Simple	11/13	\$1,400,000	\$1,400,000	Vacant lot; currently wooded; just north of the Hamlet of Water Mill.		
8	250 Noyack Path, Water Mill, NY	2.50	1	CR-80	Good	250 Noyack 54 LLC	250 Noyac Path LLC	Fee Simple	7/13	\$1,375,000	\$1,375,000	Original asking price of \$1,795,000.		
9	61 Cold Spring Point, Southampton, NY	0.34	1	R-40	Good	Kuettner W Trust	Perlowitz Jeffrey A/N Perlowitz	Fee Simple	1/12	\$1,500,000	\$1,500,000	Beachfront property.		
10	21 Summer Drive, Southampton, NY	0.57	1	R-20	Average	Southampton Meadows Const Corp	N/A	Fee Simple	Listing	\$950,000	\$950,000	Within Southampton Meadows Estates. Slightly irregular lot shape.		
11	206 Parrish Pond Ct W, Southampton, NY	1.78	1	R-60	Good	Parrish Pond Assoc LLC	N/A	Fee Simple	Listing	\$1,475,000	\$1,475,000	Includes part of Parrish Pond		
	STATISTICS													
Low High Avera		0.34 2.50 1.43	1 1 1						1/12 3/14 6/13	\$950,000 \$1,500,000 \$1,283,333	\$950,000 \$1,500,000 \$1,283,333			

Compiled by Cushman & Wakefield, Inc.



			Economic	Adjustments	(Cumulative)		Property Characteristic Adjustments (Additive)					
No.	Price Per Unit	Property Rights Conveyed	Conditions of Sale	Financing	Market <sup>(1)</sup> Conditions	Per Unit Subtotal	Location	Public Utilities	Utility <sup>(2)</sup>	Other	Adj. Price Per Unit	
6	\$1,000,000	Fee Simple	Arm's-Length	None	Inferior	\$1,048,000	Similar	Inferior	Similar	Similar	\$1,152,800	
	3/14	0.0%	0.0%	0.0%	4.8%	4.8%	0.0%	10.0%	0.0%	0.0%	10.0%	
7	\$1,400,000	Fee Simple	Arm's-Length	None	Inferior	\$1,500,800	Superior	Inferior	Similar	Similar	\$1,500,800	
	11/13	0.0%	0.0%	0.0%	7.2%	7.2%	-10.0%	10.0%	0.0%	0.0%	0.0%	
8	\$1,375,000	Fee Simple	Arm's-Length	None	Inferior	\$1,508,375	Superior	Inferior	Similar	Similar	\$1,508,375	
	7/13	0.0%	0.0%	0.0%	9.7%	9.7%	-10.0%	10.0%	0.0%	0.0%	0.0%	
9	\$1,500,000	Fee Simple	Arm's-Length	None	Inferior	\$1,833,000	Similar	Inferior	Similar	Superior	\$1,649,700	
	1/12	0.0%	0.0%	0.0%	22.2%	22.2%	0.0%	10.0%	0.0%	-20.0%	-10.0%	
10	\$950,000	Fee Simple	Arm's-Length	None	Superior	\$902,500	Similar	Inferior	Inferior	Similar	\$1,037,875	
	Listing	0.0%	0.0%	0.0%	-5.0%	-5.0%	0.0%	10.0%	5.0%	0.0%	15.0%	
11	\$1,475,000	Fee Simple	Arm's-Length	None	Superior	\$1,401,250	Similar	Inferior	Similar	Superior	\$1,261,125	
	Listing	0.0%	0.0%	0.0%	-5.0%	-5.0%	0.0%	10.0%	0.0%	-20.0%	-10.0%	
	\$950,000	- Low								Low -	\$1,037,875	
	\$1,500,000	- High								High -	\$1,649,700	
	\$1,283,333	- Average								Average -	\$1,351,779	

Compiled by Cushman & Wakefield, Inc.

# (1) Market Conditions Adjustment Footnote

Compound annual change in market conditions: 7.50% Date of Value (for adjustment calculations): 11/5/14

# (2) Utility Footnote

Utility includes shape, access, frontage and visibility.







# **DISCUSSION OF ADJUSTMENTS**

# **Property Rights Conveyed**

We are valuing the fee simple interest similar to each of the comparables, therefore an adjustment for property rights is not required.

#### **Financial Terms**

To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or marketoriented financing. Therefore, no adjustments were required.

#### **Conditions of Sale**

All sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

#### **Market Conditions**

The sales that are included in this analysis occurred between January 2012 and March 2014. As the market has improved over this time period, we applied an annual adjustment of 7.50 percent to the sales in the pricier submarkets.

#### Location

The subject property is rated average in location. We made a downward adjustment to those comparables considered superior in location compared to the subject. Conversely, an upward adjustment was made to those comparables considered inferior.

#### Size

Downward adjustments were made to larger land parcels, and upward adjustments were made to smaller land parcels.

#### **Public Utilities**

The subject lots will benefit from access to a tertiary sewage treatment system, which is uncommon in the area. All sales were adjusted upward.

# Utility

The subject sites will be adequately shaped to accommodate a typical building, with average access, frontage and visibility. Overall, it has been determined that the sites have average utility. Adjustments were made where a comparable was considered to have superior or inferior utility.

#### Other

Sales 9 and 11 were water-influenced parcels and considered superior to the subject. A downward adjustment was made to those sales.



# **CONCLUSION - RESIDENTIAL LOT SALES**

The proposal to develop the golf course community includes a variety of home sites that will support dwellings ranging in size from 2,400 square feet to 5,000 square feet. We believe the market value of the vacant sites and the 10 clubhouse condos ranges from about \$900,000 to \$1,500,000, and up to \$1,800,000 for the condos. This equates to an average sale price of approximately \$1,300,000 per lot, which is very near the average adjusted price of the sales. The average lot sale price in Scenario 2 is a multiple of that in Scenario 1, with premiums for the exclusivity and gold course membership ranging from about \$500,000 to \$1,000,000. This appears well supported by the current range of initiation fees among the most prestigious courses in the Hamptons (Sebonack, The Bridge, Shinnecock, The Atlantic) which reportedly run from \$700,000 to \$1,000,000.

	Price
SCENARIO 2	Per Unit
Indicated Value	\$1,300,000
Unit Measure	x 118
Indicated Revenue	\$153,400,000

Compiled by Cushman & Wakefield, Inc.



# **SELLOUT ANALYSIS**

On the previous pages, we have utilized the Sales Comparison Approach to determine the value of the proposed sites. We then utilize the values in a sellout analysis. This analysis assumes that it will take two years to receive all necessary approvals (including a change of zoning and completion of an environmental impact statement) and subdivide the lots, and two (2) more to construct the infrastructure (which includes the golf course, clubhouse and sewage treatment plant), with one additional year to sell the 118 sites/condos. This equates to average monthly absorption of about 3 units over 3 years, which is supported given the uncertain nature of the approval process for the more expensive product in question as compared with Scenario 1. The applicant also intends to acquire a beach club as an additional marketing tool, which will certainly accelerate the pace of sales. The following pages present the assumptions utilized, the sellout projections and the calculations of the Net Present Value.

The Hills at Southamp	oton - Sellout	t Analysis A	ssumptions (	Scenario 2)	
Land Area (Acres)	594.48				
No. Lots	118				
Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Average Market Value/Lot	\$1,300,000	\$1,397,500	\$1,502,313	\$1,614,986	\$1,736,110
Average Annual Appreciation	7.5%				
Developer's Profit	10.0%				
Sales Commissions	2.0%				
Road Surface (L.F.)	15,000				
Inflation Factor	3.0%				
Fiscal Year	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Road Cost/L.F.	\$175	\$180	\$186	\$191	\$197
Utility Cost/L.F.	\$125	\$129	\$133	\$137	\$141
Soft Costs	5.0%				
Real Estate Tax-Allocation	\$273,000	\$287,000			
Real Estate Tax Projections po	er Plot				
	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
Interest	4.5%				



The Hills at Sou	ıth	ampton -	S	ellout Ana	ys	is (Scenar	io :	2)	
Projection Period		1		2		3		4	5
Fiscal Year	2	014/2015		2015/2016		2016/2017		2017/2018	2018/2019
Beginning Inventory		118		118		118		79	40
Plots Sold		0		0		39		39	40
Remaining Inventory		118		118		79		40	0
Price per Plot	9	1,300,000		\$1,397,500		\$1,502,313		\$1,614,986	\$1,736,110
Potential Gross Income	\$	-	\$	-	\$	58,590,188	\$	62,984,452	\$ 69,444,395
Property Expenses									
Approvals	\$	500,000	\$	700,000	\$	-	\$	-	\$ -
Road & Course Construction	\$	-			\$	24,392,431	\$	24,434,204	
Utilities	\$	-			\$	5,994,594	\$	1,024,432	
Acquisition Costs	\$	_	\$	9,222,500	\$	-	\$	-	\$ _
Soft Costs	\$	-			\$	1,519,351	\$	1,272,932	
Real Estate Taxes	\$	273,000	\$	287,000	\$	1,044,987	\$	650,173	\$ 225,102
Interest	\$	-	\$	415,013	\$	1,435,787	\$	1,202,921	
Sales Commissions	\$	_	\$	-	\$	1,171,804	\$	1,259,689	\$ 1,388,888
Developer's Profit	\$		\$	_	\$	5,859,019	\$	6,298,445	\$ 6,944,440
Total Expenses	\$	773,000	\$	10,624,513	\$	41,417,972	\$	36,142,795	\$ 8,558,429
Net Income	\$	(773,000)	\$	(10,624,513)	\$	17,172,215	\$	26,841,657	\$ 60,885,966

As displayed in the preceding table, it is our opinion that lots will not be ready for sale until the 3<sup>rd</sup> year in the analysis. This takes into account the more deliberate approach taken by the town as to a rezoning and the fact that the developer will be required to prepare an environmental impact statement under SEQRA. In years 3 and 4, we project 39 lots sold per annum with the remaining 40 selling in year 5 of the analysis. Utilizing the projected number of lots sold, and the market value estimates of the lots, we arrive at a Potential Gross Income for each year. We then deduct our estimate of expenses from the Potential Gross Income to arrive at a Net Income for each year of the analysis. The expenses in this scenario include the construction of a sewage treatment plant, more substantial roadway and utility building, and construction of a golf course with clubhouse, estimated by the applicant to cost more than \$45,000,000. Anecdotally, the new Sebonack golf course was reported to cost more than \$50,000,000 to build. Additionally, we deduct developer's profit, which is necessary to incentivize a developer to absorb the risk of the undertaking as well as the price for the two sites in contract, which in this scenario is deducted at the end of year 2.



On the following table, we determine the Present Value of the projected Net Income at a range of discount rates.

The Hills at Southampton	- Present Value	Calculations (Scenario 2)
Present Value @	Rou	nded to \$100,000
12.0%	\$54,796,122	\$54,800,000
14.0%	\$50,375,431	\$50,400,000
16.0%	\$46,372,552	\$46,400,000
18.0%	\$42,741,706	\$42,700,000
20.0%	\$39,442,806	\$39,400,000

Based on a 21 to 23 percent IRR, which is about 300 basis points above the range applied in the less risky first scenario, the resulting Present Value of the subject is \$44,000,000, rounded. This higher IRR considers all risk including that stemming from additional and as yet uncertain and unquantifiable public benefit costs such as off-site improvements that would be borne by the developer. The following table presents IRR calculations based on the previously calculated Present Values and the Net Income.

	The Hills at Southampton- Sellout Analysis (Scenario 2)								
Projection Period		1	2	3	4	5			
Fiscal Year	PV @ 16%	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019			
NOI plus Profit	(\$46,252,398)	\$ (773,000)	\$ (10,624,513)	\$ 23,031,234	\$ 33,140,102	\$ 67,830,406			
IRR	21.3%								
	PV @ 18%								
	(\$42,624,541)	\$ (773,000)	\$ (10,624,513)	\$ 23,031,234	\$ 33,140,102	\$ 67,830,406			
IRR	23.4%								



# RECONCILIATION AND FINAL VALUE OPINION

# VALUATION METHODOLOGY REVIEW AND RECONCILIATION

We have utilized a Subdivision Development Method via the discounted cash flow analysis, utilizing elements of the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that these approaches would be considered necessary and applicable by market participants.

The approaches indicated the following:

Value Conclusions			
			Value
Appraisal Premise	Real Property Interest	Date Of Value	Conclusion
Market Value Based on Current Zoning ("Scenario 1")	Fee Simple	11/5/2014	\$30,000,000
Market Value assuming the rezoning will be approved ("Scenario 2")	Fee Simple	11/5/2014	\$44,000,000

Compiled by Cushman & Wakefield, Inc.

We gave primary weight to the Subdivision Sellout Analysis because this mirrors the methodology used by purchasers of this property type.

# **EXPOSURE TIME AND MARKETING TIME**

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately twelve (12) months. This assumes an active and professional marketing plan would have been employed by the current owner.

We believe, based on the assumptions employed in our analysis, as well as our selection of investment parameters for the subject, that our value conclusion represents a price achievable within twelve (12) months.



# ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.



- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this Report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, C&W strongly recommends that the Intended Users obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, C&W makes no warranties regarding the accuracy of this estimate.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.



By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.



THE HILLS AT SOUTHAMPTON CERTIFICATION OF APPRAISAL 43

# CERTIFICATION OF APPRAISAL

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Timothy Barnes, CRE, FRICS did make a personal inspection of the property that is the subject of this report.
- We have not performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- Didi Yep, MAI provided significant real property appraisal assistance to the persons signing this report.
- As of the date of this report, Timothy Barnes, CRE, FRICS, has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

Timothy Barnes, CRE, FRICS

Senior Managing Director NY Certified General Appraiser License No. 46000006137 timothy.barnes@cushwake.com (631) 234-5050 Office Direct (631) 234-5192 Fax



THE HILLS AT SOUTHAMPTON ADDENDA CONTENTS

# **ADDENDA CONTENTS**

Addendum A: Glossary of Terms & Definitions

Addendum B: Tax Map Parcel List

Addendum C: Qualifications of the Appraiser



THE HILLS AT SOUTHAMPTON ADDENDA CONTENTS

# ADDENDUM A: GLOSSARY OF TERMS & DEFINITIONS



The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), published by the Appraisal Institute, Chicago, IL, as well as other sources.

#### AS IS MARKET VALUE

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

#### **BAND OF INVESTMENT**

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

# **CASH EQUIVALENCY**

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

#### DEPRECIATION

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

#### **DISPOSITION VALUE**

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer and seller is each acting prudently and knowledgeably.
- The seller is under compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider their best interest.
- An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. In the case of Disposition value, the seller would be acting under compulsion within a limited future marketing period.

#### **ELLWOOD FORMULA**

A yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern. The formula is

RO = [YE - M (YE + P 1/Sn¬ - RM) -  $\Delta$ O 1/S n¬] / [1 +  $\Delta$ I J] where

RO = Overall Capitalization Rate

YE = Equity Yield Rate

M = Loan-to-Value Ratio

P = Percentage of Loan Paid Off

1/S n¬ = Sinking Fund Factor at the Equity Yield Rate

RM =Mortgage Capitalization Rate

 $\Delta O$  = Change in Total Property Value

ΔI = Total Ratio Change in Income

J = J Factor

Also called mortgage-equity formula.

# **EXPOSURE TIME**

1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

# **EXTRAORDINARY ASSUMPTION**

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

#### FEE SIMPLE ESTATE

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

#### HYPOTHETICAL CONDITIONS

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

#### INSURABLE VALUE

A type of value for insurance purposes.

# **INTENDED USE**

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

#### INTENDED USER

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

#### LEASED FEE INTEREST

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

#### LEASEHOLD INTEREST

The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.

# LIQUIDATION VALUE

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. Under market value, the seller would be acting in his or her own best interests. The seller would be acting prudently and knowledgeably, assuming the price is not affected by undue stimulus or atypical motivation. In the case of liquidation value, the seller would be acting under extreme compulsion within a severely limited future marketing period.

# **MARKET RENT**

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

#### MARKET VALUE

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

# **MARKETING TIME**

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) See also exposure time.

# **MORTGAGE-EQUITY ANALYSIS**

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

#### **OPERATING EXPENSES**

Other Taxes, Fees & Permits - Personal property taxes, sales taxes, utility taxes, fees and permit expenses.

Property Insurance – Coverage for loss or damage to the property caused by the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief, and additional perils.

Management Fees - The sum paid for management services. Management services may be contracted for or provided by the property owner. Management expenses may include supervision, on-site offices or apartments for resident managers, telephone service, clerical help, legal or accounting services, printing and postage, and advertising. Management fees may occasionally be included among recoverable operating expenses

Total Administrative Fees – Depending on the nature of the real estate, these usually include professional fees and other general administrative expenses, such as rent of offices and the services needed to operate the property. Administrative expenses can be provided either in the following expense subcategories or in a bulk total. 1) Professional Fees – Fees paid for any professional services contracted for or incurred in property operation; or 2) Other Administrative – Any other general administrative expenses incurred in property operation.

Heating Fuel - The cost of heating fuel purchased from outside producers. The cost of heat is generally a tenant expense in single-tenant, industrial or retail properties, and apartment projects with individual heating units. It is a major expense item shown in operating statements for office buildings and many apartment properties. The fuel consumed may be coal, oil, or public steam. Heating supplies, maintenance, and workers' wages are included in this expense category under certain accounting methods.

Electricity - The cost of electricity purchased from outside producers. Although the cost of electricity for leased space is frequently a tenant expense, and therefore not included in the operating expense statement, the owner may be responsible for lighting public areas and for the power needed to run elevators and other building equipment.

Gas - The cost of gas purchased from outside producers. When used for heating and air conditioning, gas can be a major expense item that is either paid by the tenant or reflected in the rent.

Water & Sewer - The cost of water consumed, including water specially treated for the circulating ice water system, or purchased for drinking purposes. The cost of water is a major consideration for industrial plants that use processes depending on water and for multifamily projects, in which the cost of sewer service usually ties to the amount of water used. It is also an important consideration for laundries, restaurants, taverns, hotels, and similar operations.

Other Utilities - The cost of other utilities purchased from outside producers.

<sup>&</sup>lt;sup>1</sup> "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

Total Utilities - The cost of utilities net of energy sales to stores and others. Utilities are services rendered by public and private utility companies (e.g., electricity, gas, heating fuel, water/sewer and other utilities providers). Utility expenses can be provided either in expense subcategories or in a bulk total

Repairs & Maintenance - All expenses incurred for the general repairs and maintenance of the building, including common areas and general upkeep. Repairs and maintenance expenses include elevator, HVAC, electrical and plumbing, structural/roof, and other repairs and maintenance expense items. Repairs and Maintenance expenses can be provided either in the following expense subcategories or in a bulk total. 1) Elevator - The expense of the contract and any additional expenses for elevator repairs and maintenance. This expense item may also include escalator repairs and maintenance. 2) HVAC – The expense of the contract and any additional expenses for heating, ventilation and air-conditioning systems. 3) Electrical & Plumbing - The expense of all repairs and maintenance associated with the property's electrical and plumbing systems. 4) Structural/Roof - The expense of all repairs and maintenance associated with the property's building structure and roof. 5) Pest Control – The expense of insect and rodent control. 6). Other Repairs & Maintenance - The cost of any other repairs and maintenance items not specifically included in other expense categories.

Common Area Maintenance - The common area is the total area within a property that is not designed for sale or rental, but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. Common Area Maintenance (CAM) expenses can be entered in bulk or through the sub-categories. 1) Utilities - Cost of utilities that are included in CAM charges and passed through to tenants. 2) Repair & Maintenance - Cost of repair and maintenance items that are included in CAM charges and passed through to tenants. 3) Parking Lot Maintenance - Cost of parking lot maintenance items that are included in CAM charges and passed through to tenants. 4) Snow Removal - Cost of snow removal that are included in CAM charges and passed through to tenants. 5) Grounds Maintenance - Cost of ground maintenance items that are included in CAM charges and passed through to tenants. 6) Other CAM expenses are items that are included in CAM charges and passed through to tenants.

Painting & Decorating - This expense category is relevant to residential properties where the landlord is required to prepare a dwelling unit for occupancy in between tenancies.

Cleaning & Janitorial - The expenses for building cleaning and janitorial services, for both daytime and night-time cleaning and janitorial service for tenant spaces, public areas, atriums, elevators, restrooms, windows, etc. Cleaning and Janitorial expenses can be provided either in the following subcategories or entered in a bulk total. 1) Contract Services - The expense of cleaning and janitorial services contracted for with outside service providers. 2) Supplies, Materials & Misc. - The cost any cleaning materials and any other janitorial supplies required for property cleaning and janitorial services and not covered elsewhere. 3) Trash Removal - The expense of property trash and rubbish removal and related services. Sometimes this expense item includes the cost of pest control and/or snow removal .4) Other Cleaning/Janitorial - Any other cleaning and janitorial related expenses not included in other specific expense categories.

Advertising & Promotion - Expenses related to advertising, promotion, sales, and publicity and all related printing, stationary, artwork, magazine space, broadcasting, and postage related to marketing.

Professional Fees - All professional fees associated with property leasing activities including legal, accounting, data processing, and auditing costs to the extent necessary to satisfy tenant lease requirements and permanent lender requirements.

Total Payroll - The payroll expenses for all employees involved in the ongoing operation of the property, but whose salaries and wages are not included in other expense categories. Payroll expenses can be provided either in the following subcategories or entered in a bulk total. 1) Administrative Payroll - The payroll expenses for all employees involved in on-going property administration. 2) Repair & Maintenance Payroll - The expense of all employees involved in on-going repairs and maintenance of the property. 3) Cleaning Payroll - The expense of all employees involved in providing on-going cleaning and janitorial services to the property 4) Other Payroll - The expense of any other employees involved in providing services to the property not covered in other specific categories.

Security - Expenses related to the security of the Lessees and the Property. This expense item includes payroll, contract services and other security expenses not covered in other expense categories. This item also includes the expense of maintenance of security systems such as alarms and closed circuit television (CCTV), and ordinary supplies necessary to operate a security program, including batteries, control forms, access cards, and security uniforms.

Roads & Grounds - The cost of maintaining the grounds and parking areas of the property. This expense can vary widely depending on the type of property and its total area. Landscaping improvements can range from none to extensive beds, gardens and trees. In addition, hard-surfaced public parking areas with drains, lights, and marked car spaces are subject to intensive wear and can be costly to maintain.

Other Operating Expenses - Any other expenses incurred in the operation of the property not specifically covered elsewhere.

Real Estate Taxes - The tax levied on real estate (i.e., on the land, appurtenances, improvements, structures and buildings); typically by the state, county and/or municipality in which the property is located.

#### PROSPECTIVE OPINION OF VALUE

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

# PROSPECTIVE VALUE UPON REACHING STABILIZED OCCUPANCY

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

# SPECIAL, UNUSUAL, OR EXTRAORDINARY ASSUMPTIONS

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

THE HILLS AT SOUTHAMPTON ADDENDA CONTENTS

# ADDENDUM B: TAX MAP PARCEL LIST



# TAX LOT DESIGNATIONS\*

Section	Block	Lot
I	Hills North Parcel	
		25
203	1	27
203		30
		4-10
219	1	23-24
Total Norti	h Davaal	87.81 <sup>(1)</sup> acres
Total North	Hills South Parcel	
	IIIIs South I areer	11.1
		12
		13-19
		20.1
219	1	
		21
		22
		47-50
		1-3
		4-6
		7-8 (2)
		9
		10 (2)
		11
		12 (2)
250	3	13-14
		15-16 (2)
		17
		29 (2)
		30
		31 (2)
		61
		121-123
		121-123
		125
		126 (2)
		127
		128-129 (2)
288		130
	1	131 (2)
		132-133
		134-135 <sup>(2)</sup>
		136
	9	137 (2)
		138
		139 (2)
		140.1 (2)
		170.1

140.2   141.1   153   153   314   2   20.5   343.50 acres			
153   314   2   20.5     343.50 acres     343.50 acres			140.2
Total South Parcel   343.50 acres			
Total South Parcel         343.50 acres           Kracke Property         2 4           288         1         60           Total Kracke Property         61.26 acres           Parlato Property           289         2         31           33-38         1         3           289         2         31           33-38         1         3           35         5         19-20           22-26         28-29         4-5           4-5         7-8         10           12-16         18         20-30           32-35         36.1         1           37-48         50.1         50.2           51-54         57-59         61-63           65         67-69         96           7-12         14.1           15-19         31           33-36         39-40           42         56           58-60         58-60			
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Total Kracke Property	250	2	
Total Kracke Property   61.26 acres	288	1	
Parlato Property           289         2         31         33-38         31         33-38         31         33-38         31         33-38         32-38         32         32-26         32-226         28-29         4-5         7-8         10         12-16         18         20-30         32-35         36.1         37-48         50.1         50.2         51-54         57-59         61-63         65         67-69         96         7-12         14.1         15-19         31         33-36         39-40         42         56         58-60 </td <td></td> <td></td> <td></td>			
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39-40 42 56 58-60	220	1	33-36
56 58-60	220	1	39-40
58-60			
65-67			
			65-67

The Hills Mixed Use Planned Development District (MUPDD) East Quogue, Town of Southampton PDD Application Submission

	70
	72-76
	78-82
	84
	86
	102
	103
	109
	110
Total Parlato Parcel	101.91 acres
Total Project Site	594.48 acres (3)

- \* All lots in District 0900.
- (1) Entirely in CPA.
- (2) Outparcel; not included in acreage of subject site.
- (3) As 141.90 acres in CPA, 452.58 acres in CGA.

THE HILLS AT SOUTHAMPTON ADDENDA CONTENTS

# ADDENDUM C: QUALIFICATIONS OF THE APPRAISER







TIMOTHY BARNES, CRE, FRICS

SENIOR MANAGING DIRECTOR | VALUATION & ADVISORY

PRACTICE GROUP MEMBER | DISPUTE ANALYSIS AND LITIGATION SUPPORT | QUALITY

CONTROL

CUSHMAN & WAKEFIELD, INC.

Timothy Barnes joined Cushman & Wakefield in 2003 and is a Senior Managing Director within the Valuation & Advisory Group. He is with Cushman & Wakefield, Inc. and an active member of the Valuation & Advisory Dispute Analysis & Litigation Support Practice Group. He is also a member of the Quality Control team. Prior to joining C&W, Mr. Barnes was employed as a Director in the real estate group of PriceWaterhouseCoopers from 2000 through 2003, and prior to that he was a partner with Marchitelli, Barnes & Company from 1982 through 2000.

#### **EXPERIENCE**

Mr. Barnes has provided valuation and counseling services on a wide variety of commercial, industrial, and residential properties including industrial buildings, shopping centers, office buildings, apartment complexes, malls, mixed-use complexes, auto-related properties, contaminated properties, golf courses, headquarters facilities, portfolios, adapted use properties, environmentally significant land, air rights, underwater land, acreage tracts, conservation easements, and fractional interests. He has prepared reports and studies for institutional, legal, government, private, and corporate clients. These reports have been prepared for mortgage purposes, buy/sell decisions, condemnation matters, zoning and land-use hearings, insurance and contamination claims, real estate tax review proceedings, federal tax trials, bankruptcy proceedings, foreclosure hearings, partnership disputes, and arbitration.

In addition to preparing appraisal and counseling reports himself, Mr. Barnes supervises a staff of other professionals in the scheduling, research, production, and review of reports. He also supervises all pre-trial preparation and post-trial research and investigation. Litigation support services are made available by the company to numerous law firms and to the legal departments of Federal, state, and local government agencies.

Mr. Barnes regularly provides expert services to the Internal Revenue Service, the New York State Department of Transportation as well as other State agencies including the Department of Environmental Conservation, the Department of Parks, Recreation, and Historical Preservation, the Connecticut Office of Policy and Management, and the Connecticut Department of Utilities Control.

#### **EDUCATION**

- B.A. Honors, McGill University, Montreal, 1980
- Appraisal Institute course work includes:
  - Course IAI Real Estate Appraisal Principles
  - Course IA2 Basic Valuation Procedures
  - Course IB Capitalization Theory and Techniques, Part A
  - Course IB Capitalization Theory and Techniques, Part B
  - Course 2-1 Case Studies in Real Estate Valuation
  - Course 2-3 Standards of Professional Practice
- Various seminars including real estate related subjects



#### MEMBERSHIPS. LICENSES AND PROFESSIONAL AFFILIATIONS

- New York Certified General Real Estate by the State of New York (No. 46-6137).
- Member Counselors of Real Estate (CRE)
  - Has participated nationally at both the committee and task force levels, including Alternate Dispute Resolution, Litigation Support, Editorial Board of Real Estate Issues, and Invitation Advisory.
- Practicing Affiliate, Appraisal Institute
- Fellow, Royal Institution of Chartered of Surveyors (FRICS)
- Member Long Island Board of Realtors
- Additional affiliations with:
  - Urban Land Institute
  - Pension Real Estate Association
  - American Bar Association
  - Institute of Professionals in Taxation

#### RECENT SIGNIFICANT ASSIGNMENTS

- Counseled Town of Babylon in renegotiating 400 oceanfront leaseholds.
- Counseled investment bank on feasibility of developing 2,100-acre mixed-use community on Long Island, including mall, power center, and more than 2,000 residential units.
- Valued Class A office building for use in adjudicating a loss claim due to on-site contamination.
- Prepared market analysis and subsequent appraisal of Long Island's largest office building for New York investment bank.
- Appraisal and consultation for largest employer on Long Island to facilitate purchase and renovation of former Grumman headquarters building.
- Appraised multiple Class A office buildings in three New York suburban counties for pension equity investor.
- Appraised 40-building office/industrial portfolio for pension fund underwriting REIT acquisition.
- Counseled McDonald's Corp. on trial strategy regarding numerous eminent domain appropriations.
- Counseled prospective developer of 600-acre former New York State mental hospital on Long Island.
- Counseled local municipality in preparing RFP for redevelopment and land rights acquisition at New Rochelle Metro North/Amtrak station.
- Prepared both fee simple and transferrable credit appraisals in New York State's 50,000-acre Pine Barrens
   Core Preservation Area.
- Prepared valuation reports in support of Town of Smithtown equalization rate appeal before New York
   State Department of Equalization and Assessment.
- Made valuation reports for pension lender funding regional real estate acquisition by K Mart.
- Counseled largest U.S. banking corporation regarding future disposition of 600,000-square-foot regional headquarters buildings.
- Prepared valuation reports for lender funding Pep Boys' fee simple northeast U.S. expansion.
- Provided litigation support and valuation in defending assessment of contaminated Hazeltine site, Riverhead, New York.
- Provided litigation support and valuation in support of certiorari petition on contaminated 500,000-squarefoot industrial complex, Colonie, New York.
- Valued 12,000-acre underwater shellfish farm in support of certiorari petition, Great South Bay, New York.



- Counseled investment bank funding acquisition and conversion of former headquarters building to a plugand-go technology center.
- Provided litigation support and appraisals of 38-property portfolio in support of Trustee's dissolution petition before U.S. Bankruptcy Court.
- Valued service station portfolio for large New York-based banking corporation.
- Counseled New York investment bank on acquisition and redevelopment of college campus, Old Westbury, New York.
- Valued all branch leaseholds for conveyance of Key Bank Long Island assets to Dime Savings Bank.
- Made retrospective valuation of historic seaside inn for adjudication of total flood loss claim.
- Eminent domain appraisals of 35 commercial properties in downtown Hartford for development of Adriaen's landing multi-use sports complex.
- Valuation of 22,000-unit residential complex collateralizing major private bond issue.
- Valued 188 department store leaseholds in 38 states for creditors' committee in major bankruptcy.
- Valued over 400 small store leaseholds in southeastern U.S. to advise unsecured creditors of bankrupt retailer.
- Valued III real property assets in Metro New York for transfer tax associated with the sale of EAB to Citigroup.
- Counseled The Nature Conservancy by establishing prototype damage and sale history analysis within the Coastal Erosion Hazard Area of the Atlantic coast.
- Counseled Suffolk County on the revenue generating capacity of more than 100 publicly owned telecommunications sites.
- Valued 35 properties in law firm portfolio for tax certiorari grievances.
- Valued major, national Class-A office building portfolio for joint venture reporting purposes.
- Provided litigation support to a public interest group opposing the sale of National Forest lands in the Grand Tetons, Wyoming.
- Co-authored a cap rate study on 168 properties in four Northern California counties for the largest office REIT in the U.S.
- Counseled the developer of the largest proposed retail/entertainment facility in establishing ad valorem PILOT payments.
- Valued numerous New York area estate holdings and partial interests for various tax and litigation matters.
- Valued several hundred owned and leased properties throughout New York State to facilitate acquisition of Household Finance by HSBC.
- Counseled owner/developer of 300-acre golf course community in negotiating with State University of New York.
- Managed the disposition of a 175-acre waterfront campus for a New York-based university.
- Negotiated the acquisition of new commercial and residential facilities on behalf of St. John's University.
- Oversaw the entire litigation process on behalf of a corporate client seeking just compensation for a 260acre appropriation.
- Participated in the valuation of an 1,800-mile subterranean easement.
- Participated in the development of a damages model to reflect the value of an illegal trespass dating back more than 200 years
- · Valued a portfolio of residential buildings worth in excess of 4 billion dollars for a matrimonial proceeding.
- Oversaw the valuation for transfer tax purposes of the entire Bank of New York branch system.
- Prepared a damages model in support of a claim against the developer of a new mixed use facility in downtown Manhattan.



- Valued real estate and partnership interests in a Brooklyn retail portfolio for litigation.
- Valued partnership interests in a national property portfolio for NEBF.
- Valued Family Limited Partnership interests in an RV park portfolio in Arizona.
- Valued numerous limited partnership or minority member interests in portfolios including 34 office buildings in Seattle, 9 industrial buildings in suburban Philadelphia, 12 parking garages in Nashville, and the largest retail mall in Dallas.
- Advised the Board of Directors of Touro Law School on the disposition of their original campus.
- Valued for matrimonial purposes an oceanfront mansion in Southampton worth \$36,000,000.
- Advised General Motors in a condemnation proceeding involving the New York area's largest service facility.
- Valued numerous subterranean, surface and aerial easements on behalf of Consolidated Edison.
- Advised a property owner in a gift tax matter involving 40 acres on the oceanfront in Montauk.
- Made a multiple scenario feasibility study on a superfund site on behalf of the Metropolitan Transportation Authority.
- Oversaw the valuation of one of New York's largest development portfolios to facilitate a corporate reorganization.
- Estimated the market rent of a Hudson River pier on behalf of Consolidated Edison.
- Valued numerous residential and commercial façade easements on behalf of the Internal Revenue Service.
- Managed the real estate case in a \$125,000,000 eminent domain claim against The State University of New York.
- · Valued and made feasibility estimates on a large superfund site on behalf of the US Attorney's Office.
- Valuation of a façade easement affecting a townhouse in Ft. Greene, Brooklyn in the matter of Scheidelman v. IRS.
- Valuation of a façade easement affecting a condominium complex in Tribeca in the matter of Dunlap, et al. v. IRS.

# SPEAKING ENGAGEMENTS

He has conducted seminars before the Suffolk County Department of Real Estate, the Appraisal Institute, and the Suffolk County Bar Association (Environmental Committee), and has spoken on a number of topics before appraisal education groups including the Candidates Forum of the Appraisal Institute. He has been a guest lecturer at New York University and the Long Island Real Estate Institute. Mr. Barnes has appeared before numerous planning boards and town boards on behalf of client/applicants and has qualified as an expert witness before a number of trial courts including U.S. Bankruptcy Court, U.S. Tax Court, the Supreme Court of the State of New York, and the New York State Court of Claims.



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HAS BEEN DUI R. E. GENERAI		NESS AS A		
		its official seal to be he	in Winess Whereof, The Department of State has caused its official seal to be hereunto affixed.  CESAR A. PERALES  SECRETARY OF STATE	